

Message Text

SECRET

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67

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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O 011958Z OCT 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC IMMEDIATE 5072

S E C R E T SECTION 1 OF 2 MOSCOW 14015

EXDIS

E.O. 11652 GDS

TAGS: ETRD, UR, US

SUBJECT: SOVIET GRAIN SALE NEGOTIATION

FROM ROBINSON

1. WE WILL MEET WITH OFFICIALS OF THE MINISTRY OF FOREIGN TRADE TOMORROW THURSDAY OCTOBER 2 TO CONTINUE NEGOTIATION OF THE LONG-TERM GRAIN AGREEMENT. WE APPEAR TO BE CLOSE TO AN UNDERSTANDING ON THE GENERAL PROVISIONS WHICH WILL BE REFLECTED IN A REVISED DRAFT AGREEMENT. WE BELIEVE THIS TO BE WITHIN THE GENERAL GUIDELINES AUTHORIZED FOR THESE NEGOTIATIONS SUBJECT TO CONCLUSION OF TWO SIDE LETTER AGREEMENTS, ONE COVERING THE ESCAPE CLAUSE, THE SECOND ON CONTINUATION OF KEY PROVISIONS IN THE PRESENT MARITIME AGREEMENT WHEN EXTENDED.

2. THE TEXT OF THE REVISED DRAFT AGREEMENT WHICH WILL SERVE AS BASIS FOR CONTINUING CONTRACT NEGOTIATIONS IS QUOTED BELOW. THIS IS FOLLOWED BY THE TEXT OF A PROPOSED SIDE LETTER AGREEMENT ON THE ESCAPE CLAUSE, WHICH WILL REQUIRE INTERAGENCY APPROVAL. A SEPARATE MESSAGE IS GOING FORWARD WITH THE TEXT OF THE SIDE LETTER AGREEMENT ON EXTENSION OF THE MARITIME AGREEMENT, WHICH WILL ALSO REQUIRE INTERAGENCY APPROVAL.

BEGIN TEXT OF AGREEMENT:

TITLE: AGREEMENT BETWEEN THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS AND THE GOVERNMENT OF THE UNITED STATES OF

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AMERICA ON THE SUPPLY OF GRAIN

PREAMBLE

THE GOVERNMENT OF THE USSR AND THE GOVERNMENT OF THE USA: RECALLING THE "BASIC PRINCIPLES OF RELATIONS BETWEEN THE UNITED STATES OF AMERICA AND THE UNION OF SOVIET SOCIALIST REPUBLICS" OF MAY 29, 1972; NOTING THE AGREEMENT ON COOPERATION IN THE FIELD OF AGRICULTURE OF JUNE 19, 1973; ANTICIPATING THAT GRAIN STOCKS WILL BE ACCUMULATED IN YEARS OF GOOD HARVESTS FOR USE IN FUTURE YEARS; DESIRING TO STRENGTHEN LONG-TERM COOPERATION BETWEEN THE TWO COUNTRIES ON THE BASIS OF MUTUAL BENEFIT AND EQUALITY; MINDFUL OF THE IMPORTANCE WHICH THE PRODUCTION OF FOOD, PARTICULARLY GRAIN, HAS FOR THE PEOPLES OF BOTH COUNTRIES; RECOGNIZING THE NEED TO STABILIZE TRADE IN GRAIN BETWEEN THE TWO COUNTRIES; AFFIRMING THEIR CONVICTION THAT COOPERATION IN THE FIELD OF TRADE WILL CONTRIBUTE TO OVERALL IMPROVEMENT OF RELATIONS BETWEEN THE TWO COUNTRIES; HAVE AGREED; AS FOLLOWS:

ARTICLE 1.

DURING THE PERIOD THAT THIS AGREEMENT IS IN FORCE, EXCEPT AS OTHERWISE PROVIDED BY THE PARTIES, FOREIGN TRADE ORGANIZATIONS OF THE USSR SHALL PURCHASE FROM PRIVATE COMMERCIAL SOURCES, FOR SHIPMENT IN EACH 12-MONTH PERIOD BEGINNING OCTOBER 1, 1976, SIX MILLION METRIC TONS OF WHEAT AND CORN, IN APPROXIMATELY EQUAL PROPORTIONS, GROWN IN THE UNITED STATES. THE FOREIGN TRADE ORGANIZATIONS SHALL HAVE THE OPTION TO INCREASE THIS QUANTITY WITHOUT CONSULTATION BY UP TO TWO MILLION METRIC TONS IN ANY 12-MONTH PERIOD COMMENCING OCTOBER 1, 1976 WHEN THERE IS NOT A SERIOUS SHORTAGE IN THE SUPPLY OF GRAIN IN THE UNITED STATES. PURCHASES OF WHEAT AND CORN UNDER THIS AGREEMENT SHALL BE MADE AT THE MARKET PRICE PREVAILING FOR THESE PRODUCTS AT THE TIME OF PURCHASE AND IN ACCORDANCE WITH NORMAL COMMERCIAL TERMS FOR CASH TRANSACTIONS. THE FOREIGN TRADE ORGANIZATIONS OF THE USSR SHALL ENDEAVOR TO SPACE THEIR PURCHASES IN THE UNITED STATES AS EVENLY AS POSSIBLE EACH YEAR AND WILL MAKE APPROPRIATE PURCHASE ARRANGEMENTS TO PERMIT REGULAR SHIPMENTS TO BE MADE, BEGINNING OCTOBER 1, 1976, AS PROVIDED IN ARTICLE 3.

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ARTICLE 2.

DURING THE TERM OF THIS AGREEMENT, EXCEPT AS OTHERWISE AGREED BY THE PARTIES, THE GOVERNMENT OF THE UNITED STATES OF AMERICA SHALL NOT EXERCISE ANY DISCRETIONARY AUTHORITY AVAILABLE TO IT UNDER UNITED STATES LAW TO CONTROL EXPORTS OF CORN AND WHEAT PURCHASED FOR SUPPLY TO THE USSR IN ACCORDANCE WITH ARTICLE 1, AND SHALL OTHERWISE EMPLOY ITS GOOD OFFICES TO FACILITATE AND

ENCOURAGE SUCH PURCHASES.

ARTICLE 3.

THE FOREIGN TRADE ORGANIZATION OF THE USSR SHALL ENDEAVOR TO SPACE THEIR SHIPMENTS TO THE USSR OF CORN AND WHEAT PURCHASED PURSUANT TO ARTICLE 1 OF THIS AGREEMENT AS EVENLY AS POSSIBLE OVER EACH 12-MONTH SHIPPING PERIOD FROM OCTOBER 1 OF EACH YEAR UNTIL SEPTEMBER 30 OF THE FOLLOWING YEAR.

ARTICLE 4.

THE GOVERNMENT OF THE USSR SHALL ASSURE THAT, EXCEPT AS THE PARTIES MAY OTHERWISE AGREE, ALL CORN AND WHEAT GROWN IN THE UNITED STATES AND PURCHASED BY FOREIGN TRADE ORGANIZATIONS OF THE USSR SHALL BE SUPPLIED EXCLUSIVELY FOR CONSUMPTION IN THE USSR.

ARTICLE 5.

(A) WHENEVER, DURING THE TERM OF THIS AGREEMENT, THE GOVERNMENT OF THE UNITED STATES OF AMERICA DETERMINES THAT THERE IS OR MAY BE A SERIOUS SHORTAGE IN THE SUPPLY OF GRAIN IN THE UNITED STATES, THE GOVERNMENT OF THE UNITED STATES SHALL IMMEDIATELY NOTIFY THE GOVERNMENT OF THE USSR, AND THE PARTIES SHALL CONSULT AS SOON AS POSSIBLE WITH A VIEW TO REACHING A MUTUAL AGREEMENT ON THE QUANTITY TO BE PURCHASED BY THE FOREIGN TRADE ORGANIZATIONS OF THE USSR UNDER THIS AGREEMENT.

WHENEVER, DURING THE TERM OF THIS AGREEMENT, THE GOVERNMENT OF THE USSR DETERMINES THAT THERE IS OR MAY BE A SERIOUS GRAIN SURPLUS IN THE USSR, THE GOVERNMENT OF THE USSR AND THE PARTIES SHALL CONSULT AS SOON AS POSSIBLE WITH A VIEW TO REACHING A MUTUAL AGREEMENT ON THE GRAIN QUANTITY WHICH CAN BE PURCHASED FOR DELIVERY TO THE USSR.

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FROM ROBINSON

(B) WHENEVER THE GOVERNMENT OF THE USSR ANTICIPATES THAT IT WILL WISH TO PURCHASE ADDITIONAL CORN OR WHEAT GROWN IN THE UNITED STATES FOR DELIVERY PRIOR TO OCTOBER 1, 196 OR MORE THAN THE AMOUNTS SPECIFIED IN ARTICLE 1, THE GOVERNMENT OF THE USSR SHALL IMMEDIATELY NOTIFY THE GOVERNMENT OF THE UNITED STATES.

WHENEVER THE GOVERNMENT OF THE UNITED STATES WISHES TO SELL MORE CORN OR WHEAT GROWN IN THE UNITED STATES THAN THE AMOUNTS SPECIFIED IN ARTICLE 1, IT SHALL IMMEDIATELY NOTIFY THE GOVERNMENT OF THE USSR.

IN BOTH INSTANCES, THE PARTIES WILL CONSULT AS SOON AS POSSIBLE AND REACH AGREEMENT PRIOR TO PURCHASE/SALE OR CONCLUSION OF CONTRACTS FOR THE PURCHASE/SALE OF GRAIN IN AMOUNTS ABOVE THOSE SPECIFIED IN ARTICLE 1.

ARTICLE 6. IT IS UNDERSTOOD THAT THE SHIPMENT OF CORN AND WHEAT FROM THE UNITED STATES TO THE USSR UNDER THIS AGREEMENT SHALL BE IN ACCORD WITH THE PROVISIONS OF THE SOVIET-AMERICAN AGREEMENT ON MARITIME MATTERS WHICH IS IN FORCE DURING THE PERIOD OF SHIPMENTS HEREUNDER.

ARTICLE 7. THE PARTIES SHALL HOLD CONSULTATIONS CONCERNING THE IMPLEMENTATION OF THIS AGREEMENT AND RELATED MATTERS AT INTERVALS OF SIX MONTHS BEGINNING SIX MONTHS AFTER THE DATE OF ENTRY INTO
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FORCE OF THIS AGREEMENT, AND AT ANY OTHER TIME AT THE REQUEST OF EITHER PARTY.

ARTICLE 8. THIS AGREEMENT SHALL ENTER INTO FORCE ON EXECUTION (DELETION) AND SHALL REMAIN IN FORCE UNTIL SEPTEMBER 30, 1981 UNLESS EXTENDED BY MUTUAL AGREEMENT FOR AN ADDITIONAL MUTUALLY AGREED PERIOD.

SIGNED IN MOSCOW IN TWO ORIGINALS, IN THE RUSSIAN AND ENGLISH LANGUAGES, BOTH TEXTS OF WHICH ARE EQUALLY AUTHORITATIVE, THIS
DAY OF 1975.

END TEXT OF AGREEMENT.

BEGIN TEXT OF SIDE LETTER

DEAR MR. MINISTER:

IN CONNECTION WITH THE SIGNING TODAY OF THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICAN AND THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS ON THE SUPPLY OF GRAIN, I HAVE THE HONOR TO CONFIRM THE UNDERSTANDING REACHED BETWEEN US WITH REGARD TO THE FOLLOWING:

1. FOR PURPOSES OF ARTICLE 1 AND ARTICLE 5 OF THE AGREEMENT ON THE SUPPLY OF GRAIN, "A SERIOUS SHORTAGE IN THE SUPPLY OF GRAIN IN THE UNITED STATES" WILL BE DEEMED TO EXIST WHENEVER THE UNITED STATES GRAIN SUPPLY FOR THE COMING MARKET YEAR, DEFINED AS THE OFFICIAL UNITED STATES DEPARTMENT OF AGRICULTURE ESTIMATE OF THE CARRY-IN STOCKS OF GRAIN PLUS THE OFFICIAL UNITED STATES DEPARTMENT OF AGRICULTURE FORWARD CROP ESTIMATES FOR THE COMING CROP YEAR, FALLS BELOW 225 MILLION METRIC TONS OF ALL GRAINS.

2. IN THE EVENT THE UNITED STATES GOVERNMENT NOTIFIES THE GOVERNMENT OF THE USSR THAT THERE IS A SERIOUS SHORTAGE IN THE SUPPLY OF GRAIN IN THE UNITED STATES AS DEFINED ABOVE: (A) THE OPTION TO PURCHASE ADDITIONAL WHEAT AND CORN GRANTED TO THE USSR UNDER ARTICLE 1 SHALL BE SUSPENDED UNTIL SHORTAGE CONDITION NO LONGER EXISTS OR SOONER IF THE PARTIES AGREE ON FURTHER PURCHASES UNDER THAT PROVISION AND (B) THE UNITED STATES MAY
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REQUEST THE GOVERNMENT OF THE USSR TO REDUCE PURCHASES OF CORN AND WHEAT BELOW THE SIX MILLION TON LEVEL SPECIFIED IN ARTICLE 1, AND THE GOVERNMENT OF THE USSR WILL SO REDUCE ITS FUTURE PURCHASES AS REQUESTED BY THE UNITED STATES GOVERNMENT, PROVIDED, HOWEVER, THAT THE UNITED STATES GOVERNMENT WILL NOT REQUEST THE GOVERNMENT OF THE USSR TO REDUCE SUCH PURCHASES UNDER ARTICLE 1 IN GREATER PROPORTION THAN IT ASKS OF OTHER GOVERNMENTS THAT ARE MAJOR, REGULAR PURCHASERS OF WHEAT AND CORN GROWN IN THE UNITED STATES.

3. FOR PURPOSES OF ARTICLE 5 OF THE AGREEMENT ON THE SUPPLY OF GRAIN, "A SERIOUS GRAIN SURPLUS IN THE USSR" SHALL BE DEEMED TO EXIST WHENEVER THE GOVERNMENT OF THE USSR DETERMINES THAT THE USSR HAS ENJOYED THREE CONSECUTIVE YEARS OF BUMPER CROPS YIELDING A SURPLUS OF GRAIN OVER ITS REQUIREMENTS IN EACH YEAR PROVIDED THAT THE CUMULATIVE SURPLUS EXCEEDS STORAGE CAPACITY IN THE SOVIET UNION.

END TEXT

3. IN DISCUSSING THE REVISED DRAFT AGREEMENT WITH SOVIET OFFICIALS WE WILL MAKE CLEAR THAT WE REQUIRE FURTHER CLARIFICATION OF THE ESCAPE CLAUSE AND MARITIME ISSUES BY SIDE LETTER AGREEMENT WHICH WE WILL PROPOSE AFTER RECEIVING AUTHORIZATION. WE WOULD APPRECIATE RECEIVING THIS AS PROMPTLY AS POSSIBLE TO

AVOID UNDERSIRABLE DELAYS ON THIS END.

4. THE QUESTION OF PRIOR CONSULTATION WITH KEY CONGRESSMEN AND SENATORS SHOULD BE RESOLVED IF I AM TO BE AUTHORIZED TO INITIAL OR SIGN THIS AGREEMENT BEFORE MY DEPARTURE. FYI: SENATOR CASE SPECIFICALLY REQUESTED THIS IN OUR MEETING ON MONDAY, SEPTEMBER 29 AND SENATORS HUMPHREY AND DOLE WOULD HAVE SOME BASIS FOR CRITICISM IF WE FAILED TO TOUCH BASE WITH THEM ALSO. I HAVE HAD NO CONTACT WITH ANY CONGRESSMAN ON THIS ISSUE AND THUS HAVE NO JUDGMENT AS TO THE DESIRABILITY OF CONTACTS IN THE HOUSE.

5. WE PROPOSE THAT THERE BE NO SIGNING OF THE GRAIN AGREEMENT UNTIL WE REACH A BASIC UNDERSTANDING ON AN OIL PURCHASE AGREEMENT WHICH WE ARE ENDEAVORING TO CONCLUDE PRIOR TO OUR DEPARTURE FROM MOSCOW, AND NO INITIALLING OF THE GRAIN AGREEMENT WITHOUT
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ESTABLISHING THE CONDITION THAT THIS IS BASED ON CONCLUSION OF A SATISFACTORY OIL AGREEMENT.
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